Manulife US Real Estate Investment Trust
and its subsidiaries

Condensed Interim Financial Statements
For the six months ended 30 June 2021

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Condensed Interim Statements of Financial Position

	Note	Group		Trust	
		As at 30 June 2021 US$'000	**As at 31 December 2020 US$'000**	**As at 30 June 2021 US$'000**	**As at 31 December 2020 US$'000**
Current assets					
Cash and cash equivalents		102,068	86,674	8,844	3,442
Prepayment		274	1,658	99	75
Trade and other receivables		3,318	6,927	38,523	37,687
		105,660	95,259	47,466	41,204
Non-current assets					
Investment properties	5	1,970,600	1,992,800	-	-
Investment in subsidiaries		-	-	1,638,473	1,423,009
Financial derivatives		1,496	-	1,496	-
Deferred tax assets		3,479	-	-	-
		1,975,575	1,992,800	1,639,969	1,423,009
Total assets		2,081,235	2,088,059	1,687,435	1,464,213
Current liabilities					
Trade and other payables		21,621	18,099	2,999	2,311
Loans and borrowings	6	-	233,584	-	17,300
Security deposits		190	229	-	-
Rent received in advance		8,571	6,649	-	-
		30,382	258,561	2,999	19,611
Non-current liabilities					
Loans and borrowings	6	870,546	618,703	569,196	320,142
Financial derivatives		10,274	12,985	10,274	12,985
Security deposits		3,574	3,537	-	-
Preferred units	7	825	102	-	-
Deferred tax liabilities		35,508	36,283	-	-
		920,727	671,610	579,470	333,127
Total liabilities		951,109	930,171	582,469	352,738
Net assets attributable to Unitholders		1,130,126	1,157,888	1,104,966	1,111,475
Represented by:					
Unitholders' funds		1,130,126	1,157,888	1,104,966	1,111,475
Net assets attributable to Unitholders		1,130,126	1,157,888	1,104,966	1,111,475
Units in issue and to be issued ('000)	8	1,600,071	1,591,661	1,600,071	1,591,661
Net asset value per Unit (US$) attributable to Unitholders	9	0.71	0.73	0.69	0.70

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Consolidated Statement of Comprehensive Income

		Group	
	Note	**6 months ended 30 June 2021 US$'000**	**6 months ended 30 June 2020 US$'000**
Gross revenue		90,799	98,630
Property operating expenses		(34,730)	(36,457)
Net property income		56,069	62,173
Interest income		18	137
Manager's base fee		(4,299)	(4,797)
Trustee's fee		(141)	(144)
Other trust expenses		(1,302)	(1,704)
Finance expenses	10	(14,673)	(14,810)
Net income before tax and fair value changes		35,672	40,855
Net fair value change in derivatives		4,207	(14,092)
Net fair value change in investment properties	5	(37,304)	(77,340)
Net income/(loss) for the period before tax		2,575	(50,577)
Tax income	11	4,128	14,961
Net income/(loss) for the period attributable to Unitholders		6,703	(35,616)
Earnings per Unit ("EPU") (US cents)			
Basic and diluted EPU	12	0.42	(2.27)

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Distribution Statement

	Group	
	6 months ended 30 June 2021 US$'000	**6 months ended 30 June 2020 US$'000**
Amount available for distribution to Unitholders at the beginning of the period	41,018	22,788
Net income/(loss) for the period	6,703	(35,616)
Distribution adjustments (Note A)	36,287	83,594
Income available for distribution to Unitholders for the period	42,990	47,978
Amount available for distribution to Unitholders	84,008	70,766
Distributions to Unitholders:		
- Distribution of US 1.45 cents per Unit for the period from 30 September 2019 to 31 December 2019	-	(22,746)
- Distribution of US 2.59 cents per Unit for the period from 1 July 2020 to 31 December 2020	(40,998)	-
Total distributions to Unitholders	(40,998)	(22,746)
Amount available for distribution to Unitholders at the end of the period	43,010	48,020
Distribution per Unit ("DPU") (US cents)	2.70	3.05
Note A – Distribution adjustments comprise:		
- Property related non-cash items[1]	39	(696)
- Amortisation of upfront debt-related transaction costs[2]	916	815
- Manager's base fee paid/payable in Units	4,299	4,797
- Property Manager's management fee paid/payable in Units	2,234	2,437
- Trustee's fee	141	144
- Net fair value change in derivatives	(4,207)	14,092
- Net fair value change in investment properties	37,304	77,340
- Deferred tax income	(4,254)	(15,672)
- Other items[3]	(185)	337
Distribution adjustments	36,287	83,594

1 This includes straight-line rent adjustments and amortisation of tenant improvement allowance, leasing commissions and free rent incentives.
2 Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.
3 This includes non-tax deductible items and other adjustments including rent free reimbursements. The rent free reimbursements were in relation to the vendors of certain properties that had granted rent free periods to certain tenants under the existing lease arrangements. As part of the terms of the acquisitions, these vendors reimbursed Manulife US REIT the free rent under existing lease arrangements and the rent free reimbursements are applied towards the distributable income.

Condensed Interim Statements of Changes in Unitholders' Funds

	Note	Units in issue and to be issued US$'000	Attributable to Unitholders Retained earnings/ (Accumulated losses) US$'000	Total US$'000
Group				
At 1 January 2021		1,138,312	19,576	1,157,888
Operations				
Net income for the period		-	6,703	6,703
Net increase in net assets resulting from operations		-	6,703	6,703
Unitholders' transactions				
Issue of new Units:				
- Manager's base fee paid/payable in Units		4,299	-	4,299
- Property Manager's management fee paid/payable in Units		2,234	-	2,234
Distributions	8	(6,965)	(34,033)	(40,998)
Net decrease in net assets resulting from Unitholders' transactions		(432)	(34,033)	(34,465)
At 30 June 2021		1,137,880	(7,754)	1,130,126
Trust				
At 1 January 2021		1,138,312	(26,837)	1,111,475
Operations				
Net income for the period		-	27,956	27,956
Net increase in net assets resulting from operations		-	27,956	27,956
Unitholders' transactions				
Issue of new Units:				
- Manager's base fee paid/payable in Units		4,299	-	4,299
- Property Manager's management fee paid/payable in Units		2,234	-	2,234
Distributions	8	(6,965)	(34,033)	(40,998)
Net decrease in net assets resulting from Unitholders' transactions		(432)	(34,033)	(34,465)
At 30 June 2021		1,137,880	(32,914)	1,104,966

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Statements of Changes in Unitholders' Funds (Cont'd)

	Note	Units in issue and to be issued US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
		Attributable to Unitholders		
Group				
At 1 January 2020		1,148,319	109,859	1,258,178
Operations				
Net loss for the period		-	(35,616)	(35,616)
Net decrease in net assets resulting from operations		-	(35,616)	(35,616)
Unitholders' transactions				
Issue of new Units:				
- Manager's base fee paid/payable in Units		4,797	-	4,797
- Property Manager's management fee paid/payable in Units		2,437	-	2,437
Distributions	8	(7,059)	(15,687)	(22,746)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		175	(15,687)	(15,512)
At 30 June 2020		1,148,494	58,556	1,207,050
Trust				
At 1 January 2020		1,148,319	(14,385)	1,133,934
Operations				
Net income for the period		-	7,653	7,653
Net increase in net assets resulting from operations		-	7,653	7,653
Unitholders' transactions				
Issue of new Units:				
- Manager's base fee paid/payable in Units		4,797	-	4,797
- Property Manager's management fee paid/payable in Units		2,437	-	2,437
Distributions	8	(7,059)	(15,687)	(22,746)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		175	(15,687)	(15,512)
At 30 June 2020		1,148,494	(22,419)	1,126,075

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Consolidated Statement of Cash Flows

	Note	Group	
		6 months ended 30 June 2021 US$ '000	**6 months ended 30 June 2020 US$ '000**
Cash flows from operating activities			
Net income/(loss) for the period before tax		2,575	(50,577)
Adjustments for:			
Amortisation		39	(696)
Net change in provision for expected credit losses		(2,087)	-
Interest income		(18)	(137)
Finance expenses		14,673	14,810
Manager's base fee paid/payable in Units		4,299	4,797
Property Manager's management fee paid/payable in Units		2,234	2,437
Net fair value change in derivatives		(4,207)	14,092
Net fair value change in investment properties	5	37,304	77,340
Net unrealised foreign exchange losses		48	34
Operating income before working capital changes		**54,860**	**62,100**
Changes in working capital:			
Trade and other receivables		5,696	(1,733)
Prepayment		1,384	644
Other asset		-	1,381
Trade and other payables		3,351	5,218
Security deposits		(2)	586
Rent received in advance		1,922	469
Cash from operating activities		**67,211**	**68,665**
Tax paid		(115)	(1,207)
Interest paid		(13,542)	(13,996)
Net cash from operating activities		**53,554**	**53,462**
Cash flows from investing activities			
Payment for capital expenditure and other costs related to investment properties		(15,230)	(16,144)
Interest received		18	137
Net cash used in investing activities		**(15,212)**	**(16,007)**
Cash flows from financing activities			
Payment of transaction costs relating to preferred units	7	(325)	-
Proceeds from issuance of preferred units	7	1,150	-
Redemption of preferred units	7	(125)	-
Proceeds from loans and borrowings		252,500	20,629
Repayment of loans and borrowings		(233,800)	-
Payment of transaction costs relating to loans and borrowings		(1,357)	-
Distributions paid to Unitholders		(40,998)	(22,746)
Net cash used in financing activities		**(22,955)**	**(2,117)**
Net increase in cash and cash equivalents		**15,387**	**35,338**
Cash and cash equivalents at beginning of the period		**86,674**	**60,748**
Effect of exchange rate fluctuations on cash held in foreign currency		7	(13)
Cash and cash equivalents at the end of the period		**102,068**	**96,073**

The accompanying notes form an integral part of the condensed financial statements.

Statement of Portfolio

		Occupancy Rates[1] as at 30 June 2021 %	Occupancy Rates[1] as at 31 December 2020 %	Fair Value as at 30 June 2021 US$'000	Fair Value as at 31 December 2020 US$'000	Percentage of Total Net Assets as at 30 June 2021 %	Percentage of Total Net Assets as at 31 December 2020 %
Group							
Commercial Office Properties							
Figueroa	Freehold	93.0	93.0	313,000	320,000	27.7	27.6
Michelson	Freehold	80.4	84.4	321,000	319,000	28.4	27.6
Peachtree	Freehold	90.4	90.4	201,100	203,100	17.8	17.5
Plaza	Freehold	96.7	96.7	113,000	114,600	10.0	9.9
Exchange	Freehold	94.8	94.8	330,000	333,000	29.2	28.8
Penn	Freehold	93.8	99.2	174,600	176,500	15.5	15.3
Phipps	Leasehold[2]	100.0	100.0	213,200	212,100	18.9	18.3
Centerpointe	Freehold	91.6	91.7	108,700	118,500	9.6	10.2
Capitol	Freehold	85.4	93.3	196,000	196,000	17.3	16.9
Investment properties				**1,970,600**	**1,992,800**	**174.4**	**172.1**
Other assets and liabilities (net)				(840,474)	(834,912)	(74.4)	(72.1)
Net assets				**1,130,126**	**1,157,888**	**100.0**	**100.0**

1 Based on committed leases.

2 Phipps is subject to a so-called "bonds for title" arrangement under which fee simple title to Phipps is owned by the Development Authority of Fulton County ("Development Authority"), which will lease Phipps to Hancock S-REIT ATL Phipps LLC ("ATL Phipps") as a way to reduce the real estate taxes payable on Phipps for a specified period. Under this arrangement, no money changes hands for the lease. The lease between the Development Authority and ATL Phipps expired pursuant to its terms on 31 December 2020, and ATL Phipps acquired fee simple title to Phipps from the Development Authority in July 2021. After the transfer of such fee interest, ATL Phipps will hold a fee interest in the property and commence paying the full amount of real estate taxes on Phipps, which means that Phipps will be assessed in a manner and amount consistent with similar commercial office buildings in the taxing area. Given the expense reimbursement structure of the leases at Phipps, the difference in real estate taxes payable following the expiration of this arrangement will largely be borne by the tenants.

The accompanying notes form an integral part of the condensed financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

1 General

Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") is a Singapore real estate investment trust constituted pursuant to a trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") made between Manulife US Real Estate Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the "Group" and individually as "Group entities".

The Trust was admitted to the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 May 2016.

The registered office and principal place of business of the Manager is located at 8 Cross Street, #16-03 Manulife Tower, Singapore 048424.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The primary objective of the Group is to provide Unitholders with regular and stable distributions and to achieve long-term growth in distributions and the net asset value per Unit, while maintaining an appropriate capital structure.

The condensed interim consolidated financial statements relate to the Trust and its subsidiaries.

2 Basis of preparation

2.1 Statement of compliance

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

The condensed interim financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The Group has applied the same accounting policies and methods of computation consistent with those used in the audited financial statements for the financial year ended 31 December 2020 in the preparation of the consolidated financial statements for the current reporting period except for the adoption of revised IFRS (including its consequential amendments) and interpretations effective for the financial period beginning 1 January 2021. The adoption of these revised IFRS and interpretations did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

The condensed interim financial statements are presented in United States Dollars ("US$" or "USD"), which is the functional currency of the Trust. All financial information presented has been rounded to the nearest thousand (US$'000), unless otherwise stated.

2 Basis of preparation (cont'd)

2.2 Use of estimates and judgements

The preparation of the Group's condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements and accounting estimates in applying accounting policies have the most significant effect on the amounts recognised in the financial statements in the following areas:

- Measurement of expected credit losses ("ECLs") for trade receivables
- Valuation of investment properties
- Fair value of derivatives

3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4 Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components;
- whose operating results are regularly reviewed by the Chief Executive Officer and the directors of the Manager to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Group's investment properties comprise commercial office properties located in the United States. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in these financial statements.

5 Investment properties

	Group	
	30 June 2021 US$'000	**31 December 2020 US$'000**
Consolidated Statement of Financial Position		
As at 1 January	1,992,800	2,095,000
Capital expenditure capitalised	15,143	25,635
Fair value changes in investment properties	(37,343)	(127,835)
As at 30 June / 31 December	1,970,600	1,992,800
Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	(37,343)	(127,835)
Net effect of amortisation and straight lining	39	(684)
Net fair value changes recognised in the statement of comprehensive income	(37,304)	(128,519)

Investment properties comprise commercial office properties which are leased to external tenants.

Certain investment properties are pledged as security to secure bank loans (see Note 6).

Measurement of fair value

As at 30 June 2021 and 31 December 2020, the investment properties were stated at fair value based on independent valuations undertaken by CBRE, Inc. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The fair values were generally calculated using the income approach. The two primary income approaches that may be used are the Discounted Cash Flow ("DCF") and the Direct Capitalisation Method ("DCM"). DCF calculates the present values of future cash flows over a specified time period, including the potential proceeds of a deemed disposition, to determine the fair value. DCM measures the relationship of value to the stabilised net operating income, normally at the first year. Both the DCF and DCM approaches convert the earnings of a property into an estimate of value. The market or direct comparison approach may also be used, which is based on sound considerations for similarity and comparability between properties. Considerations may include geographic location, physical, legal, and revenue generating characteristics, market conditions and financing terms and conditions. The final step in the appraisal process involves the reconciliation of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate and capitalisation rate, which are unobservable. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The valuers have highlighted in their valuation reports for 30 June 2021 and 31 December 2020 that the real estate market has been impacted by the uncertainty brought by the COVID-19 pandemic, and a higher degree of caution is to be exercised when relying on the valuations. The valuations were based on the market conditions and information available as at 30 June 2021 and 31 December 2020. Values may change more rapidly and significantly subsequently as the future impact that COVID-19 pandemic might have on the real estate market remains unknown.

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

5 Investment properties (cont'd)

Valuation techniques and significant unobservable inputs

The following table shows the significant unobservable inputs used in the measurement of fair value of investment properties:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow approach	Rental rate per square foot per year 30 June 2021: US$23.00 - US$56.00 (31 December 2020: US$23.00 - US$56.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Discount rate 30 June 2021: 6.00% - 9.00% (31 December 2020: 6.00% - 9.00%)	Higher discount rate or terminal capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
	Terminal capitalisation rate 30 June 2021: 5.00% - 7.50% (31 December 2020: 5.00% - 7.50%)	
Direct capitalisation method	Rental rate per square foot per year 30 June 2021: US$23.00 - US$56.00 (31 December 2020: US$23.00 - US$56.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Capitalisation rate 30 June 2021: 5.25% - 7.75% (31 December 2020: 5.25% - 7.50%)	Higher capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Market or Direct comparison approach	Price per square foot 30 June 2021: US$243 - US$628 (31 December 2020: US$243 - US$646)	Higher price per square foot would result in a higher fair value, while a lower price per square foot would result in a lower fair value.

6 Loans and borrowings

	Group		Trust	
	30 June 2021 US$'000	**31 December 2020 US$'000**	**30 June 2021 US$'000**	**31 December 2020 US$'000**
Current				
Secured bank loans	-	216,500	-	-
Less: Unamortised transaction costs	-	(216)	-	-
Revolving credit facilities	-	17,300	-	17,300
	-	233,584	-	17,300
Non-current				
Secured bank loans	625,216	622,716	323,000	323,000
Unsecured bank loans	250,000	-	250,000	-
Less: Unamortised transaction costs	(4,670)	(4,013)	(3,804)	(2,858)
	870,546	618,703	569,196	320,142
	870,546	852,287	569,196	337,442

6 Loans and borrowings (cont'd)

As at 30 June 2021, the Group had gross borrowings of US$875.2 million (2020: US$856.5 million) comprising of (i) US$302.2 million (2020: US$516.2 million) drawn from property-level mortgage facilities, and (ii) US$573.0 million (2020: US$340.3 million) drawn from Trust-level credit facilities.

The average interest rate on borrowings as at 30 June 2021 was 2.99% (2020: 3.18%) and aggregate leverage was 42.1% (2020: 41.0%). 96.3% (2020: 94.5%) of the gross borrowings had fixed interest rates, which reduces short-term cash flow volatility from floating interest rate movements. As at 30 June 2021, the interest coverage ratio[1] was 3.3 times (2020: 3.5 times).

The details of credit facilities available and utilised as at 30 June 2021 and 31 December 2020 are set out below:

		30 June 2021		**31 December 2020**	
	Note	**Facility available US$'000**	**Utilised US$'000**	**Facility available US$'000**	**Utilised US$'000**
Group					
Secured					
Mortgage facilities	(a)	324,100	302,216	548,527	516,216
Trust-level term loans	(b)	323,000	323,000	323,000	323,000
US$50.0 million committed revolving credit facility ("**First US$50.0 million Committed RCF**")	(b)	50,000	-	50,000	-
US$50.0 million committed revolving credit facility ("**Second US$50.0 million Committed RCF**")	(c)	50,000	-	50,000	17,300
US$200.0 million uncommitted revolving credit facility	(d)	-	-	200,000	-
		747,100	625,216	1,171,527	856,516
Unsecured					
Trust-level term loan		250,000	250,000	-	-
US$200.0 million uncommitted revolving credit facility		200,000	-	-	-
		450,000	250,000	-	-
		1,197,100	875,216	1,171,527	856,516
Trust					
Secured					
Trust-level term loans	(b)	323,000	323,000	323,000	323,000
First US$50.0 million Committed RCF	(b)	50,000	-	50,000	-
Second US$50.0 million Committed RCF	(c)	50,000	-	50,000	17,300
US$200.0 million uncommitted revolving credit facility	(d)	-	-	200,000	-
		423,000	323,000	623,000	340,300
Unsecured					
Trust-level term loan		250,000	250,000	-	-
US$200.0 million uncommitted revolving credit facility		200,000	-	-	-
		450,000	250,000	-	-
		873,000	573,000	623,000	340,300

1 The interest coverage ratio is calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees, as set out in the CIS Code.

6 Loans and borrowings (cont'd)

(a) Mortgage Facilities

The Mortgage Facilities are secured by, amongst other collateral:

(i) a first mortgage on each of Plaza, Exchange and Phipps respectively (each, the "Property");

(ii) an assignment of each of the U.S. Subs' rights, title and interest in present and future leases, subleases, licenses and all other agreements relating to the management, leasing and operation of the respective Property; and

(iii) an assignment of each of the U.S. Subs' right to all goods, building and other materials, supplies, inventory, equipment, machinery, fixtures, furniture and other personal property, together with all payments and other rents and security deposits in respect of the relevant Properties.

In addition, Hancock S-REIT Parent Corp., which directly holds each of the U.S. Subs, has granted a limited guarantee to the Mortgage Lenders in respect of certain obligations of the U.S. Subs under the mortgage facilities as well as a hazardous materials indemnity agreement.

Each of the mortgage facilities includes customary representations, warranties and covenants (including due-on-sale and due-on-encumbrance provisions) by the U.S. Subs in favour of the mortgage lenders. Each of the mortgage facilities is not cross-defaulted or cross-collateralised with the other mortgage facilities.

(b) Trust-level Term Loans and First US$50.0 Million Committed RCF

The trust-level term loans and First US$50.0 Million Committed RCF are secured by, amongst other collateral:

(i) share charges over the Singapore subsidiaries of Manulife US REIT;

(ii) assignments of certain bank accounts; and

(iii) assignments of certain inter-company loans within the Group and certain share pledges over shares in the relevant U.S. Subs which hold Figueroa, Centerpointe, Capitol and Peachtree respectively.

(c) Second US$50.0 Million Committed RCF

The Second US$50.0 Million Committed RCF is secured by, amongst other collateral:

(i) share charges over the Singapore subsidiaries of Manulife US REIT;

(ii) assignments of certain bank accounts; and

(iii) assignments of certain inter-company loans within the Group.

(e) US$200.0 Million Uncommitted Revolving Credit Facility

The facility expired in June 2021 and has been replaced with an unsecured facility.

7 Preferred Units

	Group	
	30 June 2021 US$'000	**31 December 2020 US$'000**
As at 1 January	102	102
Issuance of preferred units (net of issuance costs)	825	-
Redemption of preferred units	(102)	-
As at 30 June / 31 December	825	102

On 7 January 2021, Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp., Hancock S-REIT ATL LLC, Hancock S-REIT SECA LLC, Hancock S-REIT JCITY LLC, Hancock S-REIT DC 1750 LLC, Hancock S-REIT ATL Phipps LLC, Hancock S-REIT Centerpointe LLC and Hancock S-REIT Sacramento LLC (collectively, the "U.S. Sub-REITs"), and Hancock S-REIT Parent Corp ("Parent U.S. REIT") have each issued 115 new preferred shares at US$1,000 per preferred share to persons who are unrelated to The Manufacturers Life Insurance Company and the Group (the "Preferred Shares Issuance").

The Preferred Shares Issuance is required in order to meet one of the requirements for the U.S. REITs to qualify for taxation as a real estate investment trust for U.S. federal income tax purposes under the United States Internal Revenue Code of 1986, as amended. Each of the preferred shares carries a fixed dividend of 12.0% per annum, are non-voting and are redeemable at the option of Parent U.S. REIT and each of the U.S. Sub-REITs.

Immediately before the Preferred Shares Issuance, Hancock S-REIT Parent Corp. has also redeemed all of its existing 125 units of preferred shares. The total redemption amount was approximately to US$0.1 million, which was funded from internal resources.

8 Units in issue and to be issued

	Group and Trust			
	30 June 2021		**31 December 2020**	
	No of Units '000	**US$'000**	**No of Units '000**	**US$'000**
Units in issue				
As at 1 January	1,582,933	1,131,815	1,568,673	1,143,507
Issuance of Units:				
- Manager's base fee paid in Units	5,507	4,100	8,533	7,059
- Manager's performance fee paid in Units	-	-	1,353	1,360
- Property Manager's management fees paid in Units	3,221	2,397	4,374	3,627
Capital distribution	-	(6,965)	-	(23,738)
As at 30 June / 31 December	1,591,661	1,131,347	1,582,933	1,131,815
Units to be issued				
Manager's base fee payable in Units	5,534	4,299	5,507	4,100
Property Manager's management fees payable in Units	2,876	2,234	3,221	2,397
	8,410	6,533	8,728	6,497
Total Units issued and to be issued as at 30 June / 31 December	1,600,071	1,137,880	1,591,661	1,138,312

9 Net asset value per Unit

	Group		Trust	
	30 June 2021	**31 December 2020**	**30 June 2021**	**31 December 2020**
Net asset value per Unit is based on:				
- Net assets (US$'000)	1,130,126	1,157,888	1,104,966	1,111,475
- Total Units issued and to be issued at end of period ('000)	1,600,071	1,591,661	1,600,071	1,591,661

10 Finance expenses

	Group	
	6 months ended 30 June 2021 US$'000	**6 months ended 30 June 2020 US$'000**
Interest expense on loans and borrowings	13,483	13,854
Amortisation of upfront debt-related transaction costs	916	815
Dividends on preferred units	67	8
Redemption of preferred units	23	-
Commitment and financing fees	184	133
	14,673	14,810

11 Tax (income)/expense

The major components of tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	6 months ended 30 June 2021 US$'000	**6 months ended 30 June 2020 US$'000**
Current tax expense		
Withholding tax	-	12
Income tax	126	699
	126	711
Deferred tax income		
Movement in temporary differences	(4,254)	(15,672)
	(4,128)	(14,961)

12 Earnings per Unit ("EPU")

Basic earnings per Unit is based on:

	Group	
	6 months ended 30 June 2021	**6 months ended 30 June 2020**
Net income/(loss) for the period (US$'000)	6,703	(35,616)
	30 June 2021 No. of Units	**30 June 2020 No. of Units**
Weighted average number of Units ('000)	1,589,055	1,571,336

Basic EPU is calculated based on the weighted number of Units for the period. This is comprised of:

(i) the weighted average number of Units in issue for the period; and
(ii) the estimated weighted average number of Units issuable as payment of the Manager's base fees and Property Manager's management fees for the period.

Diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period.

13 Fair value of assets and liabilities

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

a) Level1: for unadjusted price quoted in active markets for identical assets or liabilities;
b) Level 2: for inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
c) Level 3: for inputs that are based on unobservable market data. These unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the Group's own data).

The fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Group				Trust			
	Note	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
30 June 2021									
Financial assets									
Financial derivatives		-	1,496	-	1,496	-	1,496	-	1,496
Financial liabilities									
Loans and borrowings	6	-	-	884,575	884,575	-	-	573,000	573,000
Preferred units	7	-	-	1,150	1,150	-	-	-	-
Financial derivatives		-	10,274	-	10,274	-	10,274	-	10,274
31 December 2020									
Financial liabilities									
Loans and borrowings	6	-	-	870,249	870,249	-	-	340,300	340,300
Preferred units	7	-	-	125	125	-	-	-	-
Financial derivatives		-	12,985	-	12,985	-	12,985	-	12,985

13 Fair value of assets and liabilities (cont'd)

Measurement of fair values

The following is a description of the valuation techniques and inputs used in the measuring Level 2 and Level 3 fair values.

Financial instruments measured at fair value

Financial derivatives

The fair value of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Loans and borrowings

The fair values of loans and borrowings are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

14 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions were carried out at terms agreed between the parties and included in the Group's profit before tax:

	Group	
	6 months ended 30 June 2021 US$'000	**6 months ended 30 June 2020 US$'000**
Rental received/receivable from a related party	450	349
Manager's base fee paid/payable	4,299	4,797
Property manager's management fee paid/payable	2,234	2,437
Trustee's fee paid/payable	141	144
Leasing fees to a related party	411	28
Construction supervision fee to a related party	44	140
Reimbursements to a related party	1,957	2,273
Settlement of liabilities including withholding taxes	175	69

15 Financial ratios

	Group	
	6 months ended 30 June 2021	**6 months ended 30 June 2020**
	%	**%**
Ratio of expenses to weighted average net assets[1]		
- including performance component of the Manager's management fees	0.94	1.11
- excluding performance component of the Manager's management fees	0.94	1.00
Portfolio turnover rate[2]	–	–

1 The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property expenses, finance expenses, net foreign exchange differences and income tax expense.

2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value in accordance with the formulae stated in the CIS Code.

16 Subsequent events

Distribution

On 12 August 2021, the Manager announced a distribution of US 2.70 cents per Unit for the period from 1 January 2021 to 30 June 2021.